

FILED NOV 9 1998

By

Greenberg

K B. No. 64

A BILL TO BE ENTITLED

AN ACT

relating to a Texas community investment program to assist certain businesses in distressed areas of the state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 2306, Government Code, is amended by adding Subchapter EE to read as follows:

SUBCHAPTER EE. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 2306.701. DEFINITIONS. In this subchapter:

(1) "Community development investor" means a federally certified community development financial institution or multi-bank community development corporation.

(2) "Multi-bank community development corporation" means a corporation organized to provide community development funds to businesses that employ low and moderate income persons by investing in and making loans to disadvantaged businesses located in distressed areas of the state.

(3) "Program" means the community investment program established under this subchapter.

Sec. 2306.702. COMMUNITY INVESTMENT PROGRAM. (a)

Notwithstanding any other law, the department shall establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors that use the money to make loans to or invest in businesses that are located in distressed areas of the state and

1 that cannot qualify for conventional bank loans.

2 (b) The department shall determine the eligibility of a
3 community development investor to participate in the program and
4 may set a limit on the number of eligible community development
5 investors that may participate in the program.

6 (c) A community development investor is eligible to
7 participate in the program if the community development investor
8 has raised at least \$400,000 in private investments to make loans
9 or investments described by Subsection (a).

10 (d) To participate in the program, an eligible community
11 development investor must enter into a participation agreement with
12 the department that sets out the terms and conditions under which
13 the department will make a grant or loan to or purchase stock of
14 the community development investor.

15 Sec. 2306.703. RULEMAKING AUTHORITY. The department shall
16 adopt rules relating to the implementation of the program and any
17 other rules necessary to accomplish the purposes of this
18 subchapter.

19 Sec. 2306.704. APPLICATION. (a) An eligible community
20 development investor may file a grant or loan application with the
21 department in a form approved by the department. The application
22 must include a plan of investment that includes the type and number
23 of businesses to which the community development investor plans to
24 make a loan or in which the community development investor plans to
25 invest using money from the program.

26 (b) The director shall act on a completed application not
27 later than the 30th day after the date on which the application is

1 filed with the department.

2 Sec. 2306.705. USE OF MONEY. (a) Not later than the last
3 day of the 18th month after the month in which a community
4 development investor receives a grant or loan from the department,
5 the community development investor shall use the money, or commit
6 the money to be used, to make loans to or equity investments in
7 businesses that are located in distressed areas of the state and
8 that cannot qualify for conventional loans. Not later than the
9 10th day after the expiration of this 18-month period, the
10 community development investor shall return to the department any
11 amount of the grant or loan from the department not used as
12 required by this subsection.

13 (b) A community development investor that has losses of more
14 than 25 percent on loans or investments made with money received
15 under the program shall:

16 (1) return all unencumbered money received under the
17 program to the department; and

18 (2) deliver to the director all of the documentation
19 and related instruments concerning loans and investments made with
20 money received under the program.

21 Sec. 2306.706. ELIGIBLE INVESTMENTS. (a) Each community
22 development investor participating in the program shall establish
23 an investment committee to approve loan or investment requests made
24 by businesses. Each investment committee must have at least five
25 members, at least 30 percent of whom must be bankers and at least
26 30 percent of whom must be representatives of the community.

27 (b) A community development investor may use money received

1 under the program to make a loan or investment only if the loan or
2 investment is approved by the investment committee.

3 (c) A loan made by a community development investor may be a
4 subordinated debt.

5 (d) A community development investor shall use at least 60
6 percent of the amounts received under the program for loans to or
7 investments in businesses that have existed for at least one year
8 before the date on which the loan or investment is made.

9 Sec. 2306.707. COLLABORATIVE EFFORT. A community
10 development investor may make a loan or investment under the
11 program with one or more financial institutions through
12 partnerships or joint investments.

13 Sec. 2306.708. LIMITATIONS RELATING TO LOANS. (a) The
14 maximum amount that a community development investor may loan to a
15 single business under the program is:

16 (1) \$200,000 if all of the loan to the business is
17 direct; or

18 (2) \$100,000 if any of the business's debt to the
19 community development investor is subordinated to a bank or other
20 entity.

21 (b) The maximum term of the loan is 15 years.

22 Sec. 2306.709. LIMITATIONS RELATING TO EQUITY INVESTMENTS.

23 (a) The maximum equity investment that a community development
24 investor may make in a single business under the program is
25 \$50,000.

26 (b) The maximum term of the investment is seven years.

27 (c) The maximum amount of ownership that a community

1 development investor may acquire in a business is 50 percent of the
2 business's equity.

3 Sec. 2306.710. OWNERSHIP OF INCOME. All income received on
4 a loan or investment made with money received under the program is
5 the property of the community development investor that makes the
6 loan or investment.

7 Sec. 2306.711. SEMIANNUAL REPORT. (a) Not later than the
8 30th day after the expiration of each six-month period for which
9 there is a participation agreement in effect between the department
10 and a community development investor, the community development
11 investor shall submit a report to the director that states in
12 detail the status of each investment or loan made under the
13 program.

14 (b) The report must be in a form prescribed by the
15 department and must contain all information required by the
16 department as part of the community development investor's
17 participation agreement.

18 Sec. 2306.712. ANNUAL AUDIT. The participation agreement
19 entered into between the community development investor and the
20 department must provide for an annual audit of all money received
21 by the community development investor under the program. The board
22 shall adopt rules relating to the format of the audit, including
23 rules allowing not more than \$5,000 of the amount received by the
24 community development investor under the program to be used to
25 finance the audit.

26 SECTION 2. This Act takes effect September 1, 1999.

27 SECTION 3. The importance of this legislation and the

1 crowded condition of the calendars in both houses create an
2 emergency and an imperative public necessity that the
3 constitutional rule requiring bills to be read on three several
4 days in each house be suspended, and this rule is hereby suspended.

HOUSE COMMITTEE REPORT

1st Printing

By Greenberg, Coleman, Giddings, Siebert,
Solis of Cameron, et al.

H.B. No. 64

Substitute the following for H.B. No. 64:

By Solis of Cameron

C.S.H.B. No. 64

A BILL TO BE ENTITLED

AN ACT

relating to a Texas community investment program to assist certain
businesses in distressed areas of the state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 481, Government Code, is amended by
adding Subchapter Q to read as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221. DEFINITIONS. In this subchapter:

(1) "Community development investor" means a federally
certified community development financial institution or multibank
community development corporation.

(2) "Multibank community development corporation"
means a corporation organized to provide community development
funds to businesses that employ low and moderate income persons by
investing in and making loans to disadvantaged businesses located
in distressed areas of the state.

(3) "Program" means the community investment program
established under this subchapter.

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. (a)
Notwithstanding any other law, the department shall establish a
community investment program in which the department makes grants
or interest-free loans to or purchases stock of community
development investors that use the money to make loans to or invest
in businesses that are located in distressed areas of the state and

1 that cannot qualify for conventional bank loans.

2 (b) The department shall determine the eligibility of a
3 community development investor to participate in the program and
4 may set a limit on the number of eligible community development
5 investors that may participate in the program.

6 (c) A community development investor is eligible to
7 participate in the program if the community development investor
8 has raised at least \$400,000 in private investments to make loans
9 or investments described by Subsection (a).

10 (d) To participate in the program, an eligible community
11 development investor must enter into a participation agreement with
12 the department that sets out the terms and conditions under which
13 the department will make a grant or loan to or purchase stock of
14 the community development investor.

15 Sec. 481.223. RULEMAKING AUTHORITY. The governing board
16 shall adopt rules relating to the implementation of the program and
17 any other rules necessary to accomplish the purposes of this
18 subchapter.

19 Sec. 481.224. APPLICATION. (a) An eligible community
20 development investor may file a grant or loan application with the
21 department in a form approved by the department. The application
22 must include a plan of investment that includes the type and number
23 of businesses to which the community development investor plans to
24 make a loan or in which the community development investor plans to
25 invest using money from the program.

26 (b) The executive director shall act on a completed
27 application not later than the 30th day after the date on which the

1 application is filed with the department.

2 Sec. 481.225. USE OF MONEY. (a) Not later than the last
3 day of the 18th month after the month in which a community
4 development investor receives a grant or loan from the department,
5 the community development investor shall use the money, or commit
6 the money to be used, to make loans to or equity investments in
7 businesses that are located in distressed areas of the state and
8 that cannot qualify for conventional loans. Not later than the
9 10th day after the expiration of this 18-month period, the
10 community development investor shall return to the department any
11 amount of the grant or loan from the department not used as
12 required by this subsection.

13 (b) A community development investor that has losses of more
14 than 25 percent on loans or investments made with money received
15 under the program shall:

16 (1) return all unencumbered money received under the
17 program to the department; and

18 (2) deliver to the executive director all of the
19 documentation and related instruments concerning loans and
20 investments made with money received under the program.

21 Sec. 481.226. ELIGIBLE INVESTMENTS. (a) Each community
22 development investor participating in the program shall establish
23 an investment committee to approve loan or investment requests made
24 by businesses. Each investment committee must have at least five
25 members, at least 30 percent of whom must be bankers and at least
26 30 percent of whom must be representatives of the community.

27 (b) A community development investor may use money received

1 under the program to make a loan or investment only if the loan or
2 investment is approved by the investment committee.

3 (c) A loan made by a community development investor may be a
4 subordinated debt.

5 (d) A community development investor shall use at least 60
6 percent of the amounts received under the program for loans to or
7 investments in businesses that have existed for at least one year
8 before the date on which the loan or investment is made.

9 Sec. 481.227. COLLABORATIVE EFFORT. A community development
10 investor may make a loan or investment under the program with one
11 or more financial institutions through partnerships or joint
12 investments.

13 Sec. 481.228. LIMITATIONS RELATING TO LOANS. (a) The
14 maximum amount that a community development investor may loan to a
15 single business under the program is:

16 (1) \$200,000 if all of the loan to the business is
17 direct; or

18 (2) \$100,000 if any of the business's debt to the
19 community development investor is subordinated to a bank or other
20 entity.

21 (b) The maximum term of the loan is 15 years.

22 Sec. 481.229. LIMITATIONS RELATING TO EQUITY INVESTMENTS.

23 (a) The maximum equity investment that a community development
24 investor may make in a single business under the program is
25 \$50,000.

26 (b) The maximum term of the investment is seven years.

27 (c) The maximum amount of ownership that a community

1 development investor may acquire in a business is 50 percent of the
2 business's equity.

3 Sec. 481.230. OWNERSHIP OF INCOME. All income received on a
4 loan or investment made with money received under the program is
5 the property of the community development investor that makes the
6 loan or investment.

7 Sec. 481.231. SEMIANNUAL REPORT. (a) Not later than the
8 30th day after the expiration of each six-month period for which
9 there is a participation agreement in effect between the department
10 and a community development investor, the community development
11 investor shall submit a report to the executive director that
12 states in detail the status of each investment or loan made under
13 the program.

14 (b) The report must be in a form prescribed by the
15 department and must contain all information required by the
16 department as part of the community development investor's
17 participation agreement.

18 Sec. 481.232. ANNUAL AUDIT. The participation agreement
19 entered into between the community development investor and the
20 department must provide for an annual audit of all money received
21 by the community development investor under the program. The
22 governing board shall adopt rules relating to the format of the
23 audit, including rules allowing not more than \$5,000 of the amount
24 received by the community development investor under the program to
25 be used to finance the audit.

26 SECTION 2. This Act does not make an appropriation. The
27 Texas Department of Economic Development must establish the

1 community investment program under Subchapter Q, Chapter 481,
2 Government Code, if money is specifically appropriated to fund that
3 program.

4 SECTION 3. This Act takes effect September 1, 1999.

5 SECTION 4. The importance of this legislation and the
6 crowded condition of the calendars in both houses create an
7 emergency and an imperative public necessity that the
8 constitutional rule requiring bills to be read on three several
9 days in each house be suspended, and this rule is hereby suspended.

COMMITTEE REPORT

The Honorable James E. "Pete" Laney
 Speaker of the House of Representatives

March 15, 1999
 (date)

Sir:

We, your COMMITTEE ON ECONOMIC DEVELOPMENT

to whom was referred HB 64 have had the same under consideration and beg to report back with the recommendation that it

- ☐ do pass, without amendment.
 ☐ do pass, with amendment(s).
 ☒ do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.
- ☒ yes ☐ no A fiscal note was requested.
 ☐ yes ☒ no A criminal justice policy impact statement was requested.
 ☐ yes ☒ no An equalized educational funding impact statement was requested.
 ☐ yes ☒ no An actuarial analysis was requested.
 ☐ yes ☒ no A water development policy impact statement was requested.
 ☐ yes ☒ no A tax equity note was requested.
- ☐ The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars.

For Senate Measures: House Sponsor _____

Joint Sponsors: _____ / _____ / _____

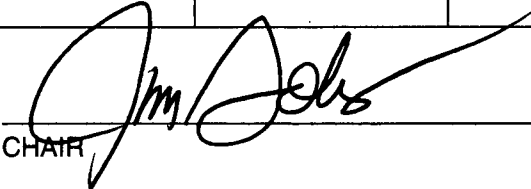
Co-Sponsors: _____

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
Solis, Chair	✓			
Van de Putte, Vice-chair				✓
Deshotel	✓			
Homer	✓			
Keffer	✓			
Luna				✓
McClendon				✓
Seaman	✓			
Yarbrough	✓			

Total

6 aye
 0 nay
 0 present, not voting
 3 absent



CHAIR

BILL ANALYSIS

Office of House Bill Analysis

C.S.H.B. 64
By: Greenberg
Economic Development
3/17/1999
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Multi-bank Community Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs) make loans to small minority-owned businesses, generally in economically depressed areas, as an investment intended to spur economic growth in those communities. It can be difficult to obtain funds for such programs since there is a greater measure of risk involved in this type of investment. State funding will enable CDCs and CDFIs to leverage private and federal funding through matching grants.

C.S.H.B. 64 makes more funding available to CDCs and CDFIs by creating a revolving loan fund administered by the Texas Department of Economic Development. This bill provides that the Texas Department of Economic Development must establish the community investment program under Subchapter Q, Chapter 481, Government Code, if money is specifically appropriated to fund that program.

RULEMAKING AUTHORITY

It is the opinion of the Office of House Bill Analysis that this bill expressly delegates rulemaking authority to the Texas Department of Economic Development in SECTION 1 (Sections 481.223 and 481.232, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 481, Government Code, to add Subchapter Q, as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221 (1) Defines "community development investor" (investor) as a federally certified community development financial institution or multi-bank community development corporation.

(2) Defines "multi-bank community development corporation" as a corporation organized to provide community development funds to businesses that employ low and moderate income persons by investing in and making loans to disadvantaged businesses located in distressed areas of the state.

(3) Defines "program" as the community investment program established under this subchapter.

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. Requires the Texas Department of Economic Development (department) to establish a community investment program through grants or interest-free loans to or stock purchases of investors, who in turn make loans to or invest in businesses located in distressed areas of the state and are unable to qualify for conventional bank loans. Requires the department to determine the eligibility of an investor. Authorizes the department to set a limit on the number of investors that may participate in the program. Sets forth that an investor is eligible to participate in the program after the investor raises at least \$400,000 in private investments and enters into an agreement with the department setting out the terms and conditions of participation.

Sec. 481.223. RULEMAKING AUTHORITY. Requires the governing board of the department (board) to adopt rules relating to the implementation of the program and any other rules necessary to accomplish the purposes of this subchapter.

Sec. 481.224. APPLICATION. Authorizes eligible investors to apply for grants or loans using a form approved by the department. Specifies that the application must include a plan of investment which includes the type and number of businesses to which the investor plans to make a loan or in which the investor plans to invest. Requires the executive director of the department (director) to act upon a completed application within 30 days of its filing with the department.

Sec. 481.225. USE OF MONEY. Requires investors to use money received under the program within 18 months of receipt, commit the money to be used in conformance with the program, or return any amount not used, as required by this subsection, within 10 days following the 18-month deadline. Requires an investor who sustains losses greater than 25 percent under the program to return all money not already loaned or promised and deliver to the director all instruments related to the loans and investments made under the program.

Sec. 481.226. ELIGIBLE INVESTMENTS. Requires each investor to establish an investment committee to give approval of requests made by businesses for use of funds under the program. Requires an investment committee to have at least five members of which at least 30 percent must be bankers and 30 percent representatives of the community. Requires an investor to use at least 60 percent of the amounts received under the program for loans or investments in businesses that have existed for at least one year prior to the date of the loan or investment.

Sec. 481.227. COLLABORATIVE EFFORT. Authorizes an investor to participate in the program through partnerships or joint investments with one or more financial institutions.

Sec. 481.228. LIMITATIONS RELATING TO LOANS. Authorizes investors under the program to limit loans made to a single business to \$200,000 or less, if the entire loan is made directly to the business, and is \$100,000 or less, if any portion of the loan is subordinate to another entity. Authorizes investors to limit the term of the loan to 15 years or less.

Sec. 481.229. LIMITATIONS RELATING TO EQUITY INVESTMENTS. Authorizes an investor under the program to limit equity investments made to a single business to \$50,000 or less, a maximum term of no greater than seven years, and the investor's maximum ownership to 50 percent of the business's equity.

Sec. 481.230. OWNERSHIP OF INCOME. Provides that all income received on loans and investments under the program is the property of the investor that makes the loan or investment.

Sec. 481.231. SEMIANNUAL REPORT. Requires an investor to submit a report to the director not later than 30 days after the expiration of each six-month period for which there is a participation agreement, which states in detail the status of each investment or loan made under the program. Provides that the report must be in a form prescribed by the department and contain all required information.

Sec. 481.232. ANNUAL AUDIT. Specifies that the participation agreement must provide for an annual audit of all money received by the investor under the program. Requires the board to adopt rules relating to the format of the audit, including a limitation on investors from using more than \$5,000 of the money received under the program to finance the audit.

SECTION 2. Sets forth that this Act does not make an appropriation. Provides that the Texas Department of Economic Development must establish the community investment program under Subchapter Q, Chapter 481, Government Code, if money is specifically appropriated to fund that program.

SECTION 3. Effective date: September 1, 1999.

SECTION 4. Emergency clause.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 64 places the community investment program created by the original bill in Subchapter Q, Chapter 481, Government Code, rather than Subchapter EE, Chapter 2306, Government Code. The substitute redesignates, in SECTION 1, Sections 2306.701 through 2306.712, of the original, to Sections 481.221 through 481.232. Makes a nonsubstantive change in new Section 481.224(b) (Section 2306.704(b) of the original bill).

The substitute, in SECTION 2, provides that the Texas Department of Economic Development must establish the community investment program under Subchapter Q, Chapter 481, Government Code, if money is specifically appropriated to fund that program. The substitute also redesignates SECTIONS 2 and 3 of the original to SECTIONS 3 and 4.

SUMMARY OF COMMITTEE ACTION

HB 64

March 1, 1999 10:30AM or upon adjournment

Considered in public hearing
Committee substitute considered in committee
Testimony taken in committee
Left pending in committee

March 15, 1999 1:30PM

Considered in public hearing
Committee substitute considered in committee
Reported favorably as substituted

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WITNESS LIST

HB 64
HOUSE COMMITTEE REPORT
Economic Development Committee

March 1, 1999 - 10:30AM or upon adjournment

For: Coulter, Susan (Self)
Gonzalez, Gilbert (Self)
Hunter, Dolores (Self)
Israel, Celia (Self and TAMACC - TX Association of
Mexican American Chambers of Commerce)
Kuenstler, Douglas (Self)
McManigle, Rick (Greater Austin Chamber of Commerce)
Ogbodiegwu, Ben (Push-Up Foundations, Inc.)
Pinkus, David (Small Business United of Texas & Texas
Capital Access Forum)
Stokes, Steve (Self and Central Texas Credit Coalition)
Villegas, Dan (Self)
Weisz, Margo (Self and Austin Community Development
Corp.)
On: Peinado, Elena (Texas Department of Housing & Community
Affairs)
Pinkley, Craig (Texas Department of Economic
Development)

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LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 23, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB64 by Greenberg (relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, Committee Report 1st House, Substituted: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development
LBB Staff: JK, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 1, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB64 by Greenberg (Relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, As Introduced: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	\$(2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 2306 of the Government Code by adding Subchapter EE which would require the Department of Housing and Community Affairs to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

5

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development, 332 Department of Housing and Community Affairs

LBB Staff: JK, TH, RT, MW

ADOPTED

APR 21 1983

James C. ...
HOUSE OF REPRESENTATIVES

By Greenberg

H. B. No. 64

Substitute the following for H. B. No. 64 :

By SolB, Jim

C.S. H.B. No. 64

A BILL TO BE ENTITLED

AN ACT

relating to a Texas community investment program to assist certain businesses in distressed areas of the state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 481, Government Code, is amended by adding Subchapter Q to read as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221. DEFINITIONS. In this subchapter:

(1) "Community development investor" means a federally certified community development financial institution or multibank community development corporation.

(2) "Multibank community development corporation" means a corporation organized to provide community development funds to businesses that employ low and moderate income persons by investing in and making loans to disadvantaged businesses located in distressed areas of the state.

(3) "Program" means the community investment program established under this subchapter.

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. (a)

Notwithstanding any other law, the department shall establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors that use the money to make loans to or invest in businesses that are located in distressed areas of the state and

1 that cannot qualify for conventional bank loans.

2 (b) The department shall determine the eligibility of a
3 community development investor to participate in the program and
4 may set a limit on the number of eligible community development
5 investors that may participate in the program.

6 (c) A community development investor is eligible to
7 participate in the program if the community development investor
8 has raised at least \$400,000 in private investments to make loans
9 or investments described by Subsection (a).

10 (d) To participate in the program, an eligible community
11 development investor must enter into a participation agreement with
12 the department that sets out the terms and conditions under which
13 the department will make a grant or loan to or purchase stock of
14 the community development investor.

15 Sec. 481.223. RULEMAKING AUTHORITY. The governing board
16 shall adopt rules relating to the implementation of the program and
17 any other rules necessary to accomplish the purposes of this
18 subchapter.

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20 development investor may file a grant or loan application with the
21 department in a form approved by the department. The application
22 must include a plan of investment that includes the type and number
23 of businesses to which the community development investor plans to
24 make a loan or in which the community development investor plans to
25 invest using money from the program.

26 (b) The executive director shall act on a completed
27 application not later than the 30th day after the date on which the

1 application is filed with the department.

2 Sec. 481.225. USE OF MONEY. (a) Not later than the last
3 day of the 18th month after the month in which a community
4 development investor receives a grant or loan from the department,
5 the community development investor shall use the money, or commit
6 the money to be used, to make loans to or equity investments in
7 businesses that are located in distressed areas of the state and
8 that cannot qualify for conventional loans. Not later than the
9 10th day after the expiration of this 18-month period, the
10 community development investor shall return to the department any
11 amount of the grant or loan from the department not used as
12 required by this subsection.

13 (b) A community development investor that has losses of more
14 than 25 percent on loans or investments made with money received
15 under the program shall:

16 (1) return all unencumbered money received under the
17 program to the department; and

18 (2) deliver to the executive director all of the
19 documentation and related instruments concerning loans and
20 investments made with money received under the program.

21 Sec. 481.226. ELIGIBLE INVESTMENTS. (a) Each community
22 development investor participating in the program shall establish
23 an investment committee to approve loan or investment requests made
24 by businesses. Each investment committee must have at least five
25 members, at least 30 percent of whom must be bankers and at least
26 30 percent of whom must be representatives of the community.

27 (b) A community development investor may use money received

1 under the program to make a loan or investment only if the loan or
2 investment is approved by the investment committee.

3 (c) A loan made by a community development investor may be a
4 subordinated debt.

5 (d) A community development investor shall use at least 60
6 percent of the amounts received under the program for loans to or
7 investments in businesses that have existed for at least one year
8 before the date on which the loan or investment is made.

9 Sec. 481.227. COLLABORATIVE EFFORT. A community development
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11 or more financial institutions through partnerships or joint
12 investments.

13 Sec. 481.228. LIMITATIONS RELATING TO LOANS. (a) The
14 maximum amount that a community development investor may loan to a
15 single business under the program is:

16 (1) \$200,000 if all of the loan to the business is
17 direct; or

18 (2) \$100,000 if any of the business's debt to the
19 community development investor is subordinated to a bank or other
20 entity.

21 (b) The maximum term of the loan is 15 years.

22 Sec. 481.229. LIMITATIONS RELATING TO EQUITY INVESTMENTS.

23 (a) The maximum equity investment that a community development
24 investor may make in a single business under the program is
25 \$50,000.

26 (b) The maximum term of the investment is seven years.

27 (c) The maximum amount of ownership that a community

1 development investor may acquire in a business is 50 percent of the
2 business's equity.

3 Sec. 481.230. OWNERSHIP OF INCOME. All income received on a
4 loan or investment made with money received under the program is
5 the property of the community development investor that makes the
6 loan or investment.

7 Sec. 481.231. SEMIANNUAL REPORT. (a) Not later than the
8 30th day after the expiration of each six-month period for which
9 there is a participation agreement in effect between the department
10 and a community development investor, the community development
11 investor shall submit a report to the executive director that
12 states in detail the status of each investment or loan made under
13 the program.

14 (b) The report must be in a form prescribed by the
15 department and must contain all information required by the
16 department as part of the community development investor's
17 participation agreement.

18 Sec. 481.232. ANNUAL AUDIT. The participation agreement
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20 department must provide for an annual audit of all money received
21 by the community development investor under the program. The
22 governing board shall adopt rules relating to the format of the
23 audit, including rules allowing not more than \$5,000 of the amount
24 received by the community development investor under the program to
25 be used to finance the audit.

26 SECTION 2. This Act does not make an appropriation. The
27 Texas Department of Economic Development must establish the

1 community investment program under Subchapter Q, Chapter 481,
2 Government Code, if money is specifically appropriated to fund that
3 program.

4 SECTION 3. This Act takes effect September 1, 1999.

5 SECTION 4. The importance of this legislation and the
6 crowded condition of the calendars in both houses create an
7 emergency and an imperative public necessity that the
8 constitutional rule requiring bills to be read on three several
9 days in each house be suspended, and this rule is hereby suspended.

ENGROSSED
SECOND READING

By Greenberg

H.B. No. 64

A BILL TO BE ENTITLED

AN ACT

relating to a Texas community investment program to assist certain businesses in distressed areas of the state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 481, Government Code, is amended by adding Subchapter Q to read as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221. DEFINITIONS. In this subchapter:

(1) "Community development investor" means a federally certified community development financial institution or multibank community development corporation.

(2) "Multibank community development corporation" means a corporation organized to provide community development funds to businesses that employ low and moderate income persons by investing in and making loans to disadvantaged businesses located in distressed areas of the state.

(3) "Program" means the community investment program established under this subchapter.

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. (a) Notwithstanding any other law, the department shall establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors that use the money to make loans to or invest in businesses that are located in distressed areas of the state and

1 that cannot qualify for conventional bank loans.

2 (b) The department shall determine the eligibility of a
3 community development investor to participate in the program and
4 may set a limit on the number of eligible community development
5 investors that may participate in the program.

6 (c) A community development investor is eligible to
7 participate in the program if the community development investor
8 has raised at least \$400,000 in private investments to make loans
9 or investments described by Subsection (a).

10 (d) To participate in the program, an eligible community
11 development investor must enter into a participation agreement with
12 the department that sets out the terms and conditions under which
13 the department will make a grant or loan to or purchase stock of
14 the community development investor.

15 Sec. 481.223. RULEMAKING AUTHORITY. The governing board
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26 (b) The executive director shall act on a completed
27 application not later than the 30th day after the date on which the

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HOUSE ENGROSSMENT

By Greenberg

H.B. No. 64

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AN ACT

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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9 days in each house be suspended, and this rule is hereby suspended.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 23, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB64** by Greenberg (relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, Committee Report 1st House, Substituted: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development
LBB Staff: JK, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 1, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB64 by Greenberg (Relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, As Introduced: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	\$(2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 2306 of the Government Code by adding Subchapter EE which would require the Department of Housing and Community Affairs to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development, 332 Department of Housing and Community Affairs

LBB Staff: JK, TH, RT, MW

By: Greenberg (Senate Sponsor - Lucio) H.B. No. 64
(In the Senate - Received from the House April 23, 1999;
April 26, 1999, read first time and referred to Special Committee
on Border Affairs; May 7, 1999, reported favorably, as amended, by
the following vote: Yeas 7, Nays 0; May 7, 1999, sent to printer.)

COMMITTEE AMENDMENT NO. 1 By: Lucio

Amend S.B. No. 64, adding an appropriately numbered SECTION
to read as follows:

"SECTION _____. This Act takes effect only if a specific
appropriation for the implementation of this Act is provided in
H.B. No. 1 (General Appropriations Act), Acts of the 76th
Legislature, Regular Session, 1999. If no specific appropriation
is provided in H.B. No. 1, the General Appropriations Act, this Act
has no effect."

A BILL TO BE ENTITLED
AN ACT

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businesses in distressed areas of the state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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certified community development financial institution or multibank
community development corporation.

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means a corporation organized to provide community development
funds to businesses that employ low and moderate income persons by
investing in and making loans to disadvantaged businesses located
in distressed areas of the state.

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3-2 (b) The report must be in a form prescribed by the
3-3 department and must contain all information required by the
3-4 department as part of the community development investor's
3-5 participation agreement.

3-6 Sec. 481.232. ANNUAL AUDIT. The participation agreement
3-7 entered into between the community development investor and the
3-8 department must provide for an annual audit of all money received
3-9 by the community development investor under the program. The
3-10 governing board shall adopt rules relating to the format of the
3-11 audit, including rules allowing not more than \$5,000 of the amount
3-12 received by the community development investor under the program to
3-13 be used to finance the audit.

3-14 SECTION 2. This Act does not make an appropriation. The
3-15 Texas Department of Economic Development must establish the
3-16 community investment program under Subchapter Q, Chapter 481,
3-17 Government Code, if money is specifically appropriated to fund that
3-18 program.

3-19 SECTION 3. This Act takes effect September 1, 1999.

3-20 SECTION 4. The importance of this legislation and the
3-21 crowded condition of the calendars in both houses create an
3-22 emergency and an imperative public necessity that the
3-23 constitutional rule requiring bills to be read on three several
3-24 days in each house be suspended, and this rule is hereby suspended.

3-25 * * * * *

**FAVORABLY AS AMENDED
SENATE COMMITTEE REPORT ON**

SB SCR SJR SR HB HCR HJR 604
By Lucio
(Author/Senate Sponsor)
5/7/99
(date)

Sir:

We, your Committee on BORDER AFFAIRS, to which was referred the attached measure, have on May 6, 1999, had the same under consideration and I am instructed to report it back with the recommendation (s) that it:

- ☒ do pass with 1 amendments, and be printed
☐ do pass with _____ amendments, and be ordered not printed
☐ and is recommended for placement on the Local and Uncontested Bills Calendar.

A fiscal note was requested. ☒ yes ☐ no

A revised fiscal note was requested. ☒ yes ☐ no

An actuarial analysis was requested. ☐ yes ☒ no

Considered by subcommittee. ☐ yes ☒ no

The measure was reported from Committee by the following vote:

	YEA	NAY	ABSENT	PNV
Senator Lucio, Chair	<input checked="" type="checkbox"/>			
Senator Sibley, Vice-Chair	<input checked="" type="checkbox"/>			
Senator Bivins	<input checked="" type="checkbox"/>			
Senator Duncan	<input checked="" type="checkbox"/>			
Senator Shapleigh	<input checked="" type="checkbox"/>			
Senator Truan	<input checked="" type="checkbox"/>			
Senator Zaffirini	<input checked="" type="checkbox"/>			
TOTAL VOTES	7	0	0	0

COMMITTEE ACTION

☒ S260 Considered in public hearing
☒ S270 Testimony taken

Stephanie R. Hoover
COMMITTEE CLERK

Jedie Lucio
CHAIRMAN

Paper clip the original and one copy of this signed form to the original bill along with THREE signed copies of each committee amendment adopted
Retain one copy of this form for Committee files

WITNESS LIST

HB 64
SENATE COMMITTEE REPORT
Border Affairs - Special Committee

May 6, 1999 - 8:30A

For: Ocanas, Reymundo (Texas Association of CDCs), Austin

Villegas, Dan (William Memorial Jr. Community Development
Corporation), Fort Worth

Weisz, Margo (Austin CDC), Austin

Registering, but not testifying:

For: Israel, Celia (Texas Association of Mexican American Chambers
of Commerce), Austin

Velasquez, Sally (City of Eagle Pass), Austin

On: Pinkley, Craig (Texas Department of Economic Development), New
Braunfels

BILL ANALYSIS

Senate Research Center

H.B. 64
By: Greenberg (Lucio)
Border Affairs - Special
5/6/1999
Committee Report (Amended)

DIGEST

Currently, as an investment to spur economic growth in economically depressed areas, certain corporations and institutions make loans to small minority-owned businesses. Since there is a greater measure of risk involved, it can be difficult to obtain funds for such investment programs. H.B. 64 creates the Texas community investment program to provide matching grants for investment programs that assist businesses in distressed areas of the state, to be administered by the Texas Department of Economic Development.

PURPOSE

As proposed, H.B. 64 creates the Texas community investment program to assist certain businesses in distressed areas of the state.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the governing board of the community investment program in SECTION 1 (Sections 481.223 and 481.232, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 481, Government Code, by adding Subchapter Q, as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221. DEFINITIONS. Defines "community development investor," "multibank community development corporation," and "program."

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. Requires the Texas Department of Economic Development (department) to establish a community investment program (program) which eventually invests money in businesses in distressed areas of Texas and that cannot qualify for conventional bank loans. Requires the department to determine the eligibility of a community development investor (CDI), and authorizes the department to set a limit on the number of participants. Provides that \$400,000 raised to make loans or investments qualifies a CDI to participate in the program. Requires a participation agreement from a CDI.

Sec. 481.223. RULEMAKING AUTHORITY. Requires the governing board to adopt rules regarding the implementation of the program and to accomplish the purposes of this subchapter.

Sec. 481.224. APPLICATION. Authorizes an eligible CDI to file an application on a department-approved form. Sets forth requirements of the application. Requires the executive director to act on an application within 30 days of its filing.

Sec. 481.225. USE OF MONEY. Requires the CDI to take certain actions with the money it receives from the department within 18 months of its receipt. Requires the CDI to return unused funds after the 10th day after the 18-month period. Sets forth required procedures for a CDI that has losses of over 25 percent on investments made with program money.

Sec. 481.226. ELIGIBLE INVESTMENTS. Requires participating CDIs to create an investment committee to make decisions regarding requests made by businesses. Sets forth investment committee membership requirements. Authorizes a CDI to use program money only

for matters approved by the investment committee. Authorizes a subordinated debt to be made by a CDI. Requires a CDI to use at least 60 percent of program money for loans or investments in businesses that have existed for at least one year before the date the money is used.

Sec. 481.227. COLLABORATIVE EFFORT. Authorizes a CDI to make a loan or investment with financial institutions through partnerships or joint investments.

Sec. 481.228. LIMITATIONS RELATING TO LOANS. Sets forth maximum loan amounts, and provides that the maximum loan term is 15 years.

Sec. 481.229. LIMITATIONS RELATING TO EQUITY INVESTMENTS. Limits the maximum equity investment for a single business to \$50,000, and the maximum term of investment to be seven years. Limits the maximum ownership that a CDI can acquire in a business to be 50 percent of the business's equity.

Sec. 481.230. OWNERSHIP OF INCOME. Provides that all income from a loan or investment made with program money is property of the CDI.

Sec. 481.231. SEMIANNUAL REPORT. Requires the CDI to submit a detailed report to the executive director within a certain deadline. Sets forth report requirements.

Sec. 481.232. ANNUAL AUDIT. Requires the participation agreement to provide for an annual audit of all program money received by the CDI. Requires the governing board to adopt rules regarding the format of the audit, including a limit on the amount spent to finance the audit.

SECTION 2. Specifies that this Act does not make an appropriation. Requires the department to establish the program under Chapter 481Q, Government Code, if money is specifically appropriated to fund that program.

SECTION 3. Provides that this Act takes effect only if a certain appropriation is provided by the 76th Legislature. Provides that this Act has no effect if no specific appropriation is provided.

SECTION 4. Effective date: September 1, 1999.

SECTION 5. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 3.

Adds standard language regarding the effectiveness of an Act being dependent on a specific appropriation.

SECTIONS 4 and 5.

Redesignated from SECTIONS 3 and 4.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 6, 1999

TO: Honorable Eddie Lucio, Chair, Senate Committee on Border Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB 64** by Greenberg (relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **Committee Report 2nd House, as amended**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, Committee Report 2nd House, as amended: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	\$(2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

The bill takes effect only if a specific appropriation for the implementation of the bill is provided in House Bill 1 (General Appropriations Act), Acts of the 76th Legislature, Regular Session, 1999. If no specific appropriation is provided in House Bill 1, the General Appropriations Act, the bill has no effect.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development

LBB Staff: JK, DE, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 4, 1999

TO: Honorable Eddie Lucio, Chair, Senate Committee on Border Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB 64** by Greenberg (Relating to a Texas community investment program to assist certain businesses in distressed areas of the state.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, As Engrossed: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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2003	(2,500,000)
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All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which

would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development
LBB Staff: JK, DE, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 23, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB64 by Greenberg (relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, Committee Report 1st House, Substituted: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development

LBB Staff: JK, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 1, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB64 by Greenberg (Relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, As Introduced: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	\$(2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 2306 of the Government Code by adding Subchapter EE which would require the Department of Housing and Community Affairs to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development, 332 Department of Housing and Community Affairs

LBB Staff: JK, TH, RT, MW

ADOPTED

MAY 12 1999

Butte King
Secretary of the Senate

Committee

AMENDMENT NO. 1

BY:

Lucio

1 Amend ~~S~~.B. No. 64, adding an appropriately numbered
2 SECTION to read as follows:

3 "SECTION __. This Act takes effect only if a specific
4 appropriation for the implementation of this Act is provided in
5 H.B. No. 1 (General Appropriations Act), Acts of the 76th
6 Legislature, Regular Session, 1999. If no specific appropriation
7 is provided in H.B. No. 1, the General Appropriations Act, this Act
8 has no effect."

SENATE AMENDMENTS

2nd Printing

JAN 12 1971
SENATE

By Greenberg

H.B. No. 64

A BILL TO BE ENTITLED

AN ACT

relating to a Texas community investment program to assist certain businesses in distressed areas of the state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 481, Government Code, is amended by adding Subchapter Q to read as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221. DEFINITIONS. In this subchapter:

(1) "Community development investor" means a federally certified community development financial institution or multibank community development corporation.

(2) "Multibank community development corporation" means a corporation organized to provide community development funds to businesses that employ low and moderate income persons by investing in and making loans to disadvantaged businesses located in distressed areas of the state.

(3) "Program" means the community investment program established under this subchapter.

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. (a) Notwithstanding any other law, the department shall establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors that use the money to make loans to or invest in businesses that are located in distressed areas of the state and

1 that cannot qualify for conventional bank loans.

2 (b) The department shall determine the eligibility of a
3 community development investor to participate in the program and
4 may set a limit on the number of eligible community development
5 investors that may participate in the program.

6 (c) A community development investor is eligible to
7 participate in the program if the community development investor
8 has raised at least \$400,000 in private investments to make loans
9 or investments described by Subsection (a).

10 (d) To participate in the program, an eligible community
11 development investor must enter into a participation agreement with
12 the department that sets out the terms and conditions under which
13 the department will make a grant or loan to or purchase stock of
14 the community development investor.

15 Sec. 481.223. RULEMAKING AUTHORITY. The governing board
16 shall adopt rules relating to the implementation of the program and
17 any other rules necessary to accomplish the purposes of this
18 subchapter.

19 Sec. 481.224. APPLICATION. (a) An eligible community
20 development investor may file a grant or loan application with the
21 department in a form approved by the department. The application
22 must include a plan of investment that includes the type and number
23 of businesses to which the community development investor plans to
24 make a loan or in which the community development investor plans to
25 invest using money from the program.

26 (b) The executive director shall act on a completed
27 application not later than the 30th day after the date on which the

1 application is filed with the department.

2 Sec. 481.225. USE OF MONEY. (a) Not later than the last
3 day of the 18th month after the month in which a community
4 development investor receives a grant or loan from the department,
5 the community development investor shall use the money, or commit
6 the money to be used, to make loans to or equity investments in
7 businesses that are located in distressed areas of the state and
8 that cannot qualify for conventional loans. Not later than the
9 10th day after the expiration of this 18-month period, the
10 community development investor shall return to the department any
11 amount of the grant or loan from the department not used as
12 required by this subsection.

13 (b) A community development investor that has losses of more
14 than 25 percent on loans or investments made with money received
15 under the program shall:

16 (1) return all unencumbered money received under the
17 program to the department; and

18 (2) deliver to the executive director all of the
19 documentation and related instruments concerning loans and
20 investments made with money received under the program.

21 Sec. 481.226. ELIGIBLE INVESTMENTS. (a) Each community
22 development investor participating in the program shall establish
23 an investment committee to approve loan or investment requests made
24 by businesses. Each investment committee must have at least five
25 members, at least 30 percent of whom must be bankers and at least
26 30 percent of whom must be representatives of the community.

27 (b) A community development investor may use money received

1 under the program to make a loan or investment only if the loan or
2 investment is approved by the investment committee.

3 (c) A loan made by a community development investor may be a
4 subordinated debt.

5 (d) A community development investor shall use at least 60
6 percent of the amounts received under the program for loans to or
7 investments in businesses that have existed for at least one year
8 before the date on which the loan or investment is made.

9 Sec. 481.227. COLLABORATIVE EFFORT. A community development
10 investor may make a loan or investment under the program with one
11 or more financial institutions through partnerships or joint
12 investments.

13 Sec. 481.228. LIMITATIONS RELATING TO LOANS. (a) The
14 maximum amount that a community development investor may loan to a
15 single business under the program is:

16 (1) \$200,000 if all of the loan to the business is
17 direct; or

18 (2) \$100,000 if any of the business's debt to the
19 community development investor is subordinated to a bank or other
20 entity.

21 (b) The maximum term of the loan is 15 years.

22 Sec. 481.229. LIMITATIONS RELATING TO EQUITY INVESTMENTS.

23 (a) The maximum equity investment that a community development
24 investor may make in a single business under the program is
25 \$50,000.

26 (b) The maximum term of the investment is seven years.

27 (c) The maximum amount of ownership that a community

1 development investor may acquire in a business is 50 percent of the
2 business's equity.

3 Sec. 481.230. OWNERSHIP OF INCOME. All income received on a
4 loan or investment made with money received under the program is
5 the property of the community development investor that makes the
6 loan or investment.

7 Sec. 481.231. SEMIANNUAL REPORT. (a) Not later than the
8 30th day after the expiration of each six-month period for which
9 there is a participation agreement in effect between the department
10 and a community development investor, the community development
11 investor shall submit a report to the executive director that
12 states in detail the status of each investment or loan made under
13 the program.

14 (b) The report must be in a form prescribed by the
15 department and must contain all information required by the
16 department as part of the community development investor's
17 participation agreement.

18 Sec. 481.232. ANNUAL AUDIT. The participation agreement
19 entered into between the community development investor and the
20 department must provide for an annual audit of all money received
21 by the community development investor under the program. The
22 governing board shall adopt rules relating to the format of the
23 audit, including rules allowing not more than \$5,000 of the amount
24 received by the community development investor under the program to
25 be used to finance the audit.

26 SECTION 2. This Act does not make an appropriation. The
27 Texas Department of Economic Development must establish the

1 community investment program under Subchapter Q, Chapter 481,
2 Government Code, if money is specifically appropriated to fund that
3 program.

4 SECTION 3. This Act takes effect September 1, 1999.

5 SECTION 4. The importance of this legislation and the
6 crowded condition of the calendars in both houses create an
7 emergency and an imperative public necessity that the
8 constitutional rule requiring bills to be read on three several
9 days in each house be suspended, and this rule is hereby suspended.

ADOPTED

MAY 12 1999

Letty Ling
Secretary of the Senate

Committee

AMENDMENT NO. 1

BY:

Lucio

1
2
3
4
5
6
7
8

Amend ~~H~~.B. No. 64, adding an appropriately numbered
SECTION to read as follows:

"SECTION __. This Act takes effect only if a specific
appropriation for the implementation of this Act is provided in
H.B. No. 1 (General Appropriations Act), Acts of the 76th
Legislature, Regular Session, 1999. If no specific appropriation
is provided in H.B. No. 1, the General Appropriations Act, this Act
has no effect."

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 6, 1999

TO: Honorable Eddie Lucio, Chair, Senate Committee on Border Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB 64 by Greenberg (relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **Committee Report 2nd House, as amended**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, Committee Report 2nd House, as amended: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	\$(2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

The bill takes effect only if a specific appropriation for the implementation of the bill is provided in House Bill 1 (General Appropriations Act), Acts of the 76th Legislature, Regular Session, 1999. If no specific appropriation is provided in House Bill 1, the General Appropriations Act, the bill has no effect.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development

LBB Staff: JK, DE, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 4, 1999

TO: Honorable Eddie Lucio, Chair, Senate Committee on Border Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB 64 by Greenberg (Relating to a Texas community investment program to assist certain businesses in distressed areas of the state.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, As Engrossed: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
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2004	(2,500,000)

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Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which

would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development
LBB Staff: JK, DE, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 23, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB64 by Greenberg (relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, Committee Report 1st House, Substituted: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 481 of the Government Code by adding Subchapter Q which would require the Department of Economic Development to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development

LBB Staff: JK, TH, RT, MW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

March 1, 1999

TO: Honorable Jim Solis, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB64 by Greenberg (Relating to a Texas community investment program to assist certain businesses in distressed areas of the state), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB64, As Introduced: negative impact of \$(5,000,000) through the biennium ending August 31, 2001.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	\$(2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 0001
2000	\$ (2,500,000)
2001	(2,500,000)
2002	(2,500,000)
2003	(2,500,000)
2004	(2,500,000)

Fiscal Analysis

The bill amends Chapter 2306 of the Government Code by adding Subchapter EE which would require the Department of Housing and Community Affairs to establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors. These community development investors would make loans to or invest in businesses located in distressed areas of the state that could not otherwise qualify for conventional bank loans. The bill establishes guidelines for the program and rule-making authority for the department. The bill also requires community development investors to submit a report to the director which details the status of each investment or loan made under the program. In addition, the bill provides for an annual audit of all amounts awarded to the community development investors.

The bill would take effect September 1, 1999.

Methodology

This analysis assumes that administrative costs relating to the development, implementation, and monitoring of this program would be absorbed by the department. In order to implement the program on a statewide basis, the department estimates that \$2.5 million per year in general revenue would be required to make loans to and investments in community development investors in distressed areas of the state.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. As businesses in distressed areas become established and multiply, local governments may experience increased property and sales tax revenue related to the corresponding growth.

Source Agencies: 480 Department of Economic Development, 332 Department of Housing and Community Affairs

LBB Staff: JK, TH, RT, MW

ENROLLED

H.B. No. 64

AN ACT

relating to a Texas community investment program to assist certain businesses in distressed areas of the state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 481, Government Code, is amended by adding Subchapter Q to read as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221. DEFINITIONS. In this subchapter:

(1) "Community development investor" means a federally certified community development financial institution or multibank community development corporation.

(2) "Multibank community development corporation" means a corporation organized to provide community development funds to businesses that employ low and moderate income persons by investing in and making loans to disadvantaged businesses located in distressed areas of the state.

(3) "Program" means the community investment program established under this subchapter.

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. (a) Notwithstanding any other law, the department shall establish a community investment program in which the department makes grants or interest-free loans to or purchases stock of community development investors that use the money to make loans to or invest in businesses that are located in distressed areas of the state and

1 that cannot qualify for conventional bank loans.

2 (b) The department shall determine the eligibility of a
3 community development investor to participate in the program and
4 may set a limit on the number of eligible community development
5 investors that may participate in the program.

6 (c) A community development investor is eligible to
7 participate in the program if the community development investor
8 has raised at least \$400,000 in private investments to make loans
9 or investments described by Subsection (a).

10 (d) To participate in the program, an eligible community
11 development investor must enter into a participation agreement with
12 the department that sets out the terms and conditions under which
13 the department will make a grant or loan to or purchase stock of
14 the community development investor.

15 Sec. 481.223. RULEMAKING AUTHORITY. The governing board
16 shall adopt rules relating to the implementation of the program and
17 any other rules necessary to accomplish the purposes of this
18 subchapter.

19 Sec. 481.224. APPLICATION. (a) An eligible community
20 development investor may file a grant or loan application with the
21 department in a form approved by the department. The application
22 must include a plan of investment that includes the type and number
23 of businesses to which the community development investor plans to
24 make a loan or in which the community development investor plans to
25 invest using money from the program.

26 (b) The executive director shall act on a completed
27 application not later than the 30th day after the date on which the

1 application is filed with the department.

2 Sec. 481.225. USE OF MONEY. (a) Not later than the last
3 day of the 18th month after the month in which a community
4 development investor receives a grant or loan from the department,
5 the community development investor shall use the money, or commit
6 the money to be used, to make loans to or equity investments in
7 businesses that are located in distressed areas of the state and
8 that cannot qualify for conventional loans. Not later than the
9 10th day after the expiration of this 18-month period, the
10 community development investor shall return to the department any
11 amount of the grant or loan from the department not used as
12 required by this subsection.

13 (b) A community development investor that has losses of more
14 than 25 percent on loans or investments made with money received
15 under the program shall:

16 (1) return all unencumbered money received under the
17 program to the department; and

18 (2) deliver to the executive director all of the
19 documentation and related instruments concerning loans and
20 investments made with money received under the program.

21 Sec. 481.226. ELIGIBLE INVESTMENTS. (a) Each community
22 development investor participating in the program shall establish
23 an investment committee to approve loan or investment requests made
24 by businesses. Each investment committee must have at least five
25 members, at least 30 percent of whom must be bankers and at least
26 30 percent of whom must be representatives of the community.

27 (b) A community development investor may use money received

1 under the program to make a loan or investment only if the loan or
2 investment is approved by the investment committee.

3 (c) A loan made by a community development investor may be a
4 subordinated debt.

5 (d) A community development investor shall use at least 60
6 percent of the amounts received under the program for loans to or
7 investments in businesses that have existed for at least one year
8 before the date on which the loan or investment is made.

9 Sec. 481.227. COLLABORATIVE EFFORT. A community development
10 investor may make a loan or investment under the program with one
11 or more financial institutions through partnerships or joint
12 investments.

13 Sec. 481.228. LIMITATIONS RELATING TO LOANS. (a) The
14 maximum amount that a community development investor may loan to a
15 single business under the program is:

16 (1) \$200,000 if all of the loan to the business is
17 direct; or

18 (2) \$100,000 if any of the business's debt to the
19 community development investor is subordinated to a bank or other
20 entity.

21 (b) The maximum term of the loan is 15 years.

22 Sec. 481.229. LIMITATIONS RELATING TO EQUITY INVESTMENTS.
23 (a) The maximum equity investment that a community development
24 investor may make in a single business under the program is
25 \$50,000.

26 (b) The maximum term of the investment is seven years.

27 (c) The maximum amount of ownership that a community

1 development investor may acquire in a business is 50 percent of the
2 business's equity.

3 Sec. 481.230. OWNERSHIP OF INCOME. All income received on a
4 loan or investment made with money received under the program is
5 the property of the community development investor that makes the
6 loan or investment.

7 Sec. 481.231. SEMIANNUAL REPORT. (a) Not later than the
8 30th day after the expiration of each six-month period for which
9 there is a participation agreement in effect between the department
10 and a community development investor, the community development
11 investor shall submit a report to the executive director that
12 states in detail the status of each investment or loan made under
13 the program.

14 (b) The report must be in a form prescribed by the
15 department and must contain all information required by the
16 department as part of the community development investor's
17 participation agreement.

18 Sec. 481.232. ANNUAL AUDIT. The participation agreement
19 entered into between the community development investor and the
20 department must provide for an annual audit of all money received
21 by the community development investor under the program. The
22 governing board shall adopt rules relating to the format of the
23 audit, including rules allowing not more than \$5,000 of the amount
24 received by the community development investor under the program to
25 be used to finance the audit.

26 SECTION 2. This Act does not make an appropriation. The
27 Texas Department of Economic Development must establish the

1 community investment program under Subchapter Q, Chapter 481,
2 Government Code, if money is specifically appropriated to fund that
3 program.

4 SECTION 3. This Act takes effect only if a specific
5 appropriation for the implementation of this Act is provided in
6 H.B. No. 1 (General Appropriations Act), Acts of the 76th
7 Legislature, Regular Session, 1999. If no specific appropriation
8 is provided in H.B. No. 1, the General Appropriations Act, this Act
9 has no effect.

10 SECTION 4. This Act takes effect September 1, 1999.

11 SECTION 5. The importance of this legislation and the
12 crowded condition of the calendars in both houses create an
13 emergency and an imperative public necessity that the
14 constitutional rule requiring bills to be read on three several
15 days in each house be suspended, and this rule is hereby suspended.

President of the Senate

Speaker of the House

I certify that H.B. No. 64 was passed by the House on April 22, 1999, by a non-record vote; and that the House concurred in Senate amendments to H.B. No. 64 on May 17, 1999, by a non-record vote.

Chief Clerk of the House

I certify that H.B. No. 64 was passed by the Senate, with amendments, on May 12, 1999, by a viva-voce vote.

Secretary of the Senate

APPROVED: _____
Date

Governor

President of the Senate

Speaker of the House

I certify that H.B. No. 64
(1) was passed by the House on

April 22
(2), 1999, by a non-record vote;

and that the House concurred in Senate amendments to H.B. No. 64
on May 17
(3), 1999, by a non-record vote.

Chief Clerk of the House

**** Preparation: CT47;

I certify that H.B. No. 64
(1) was passed by the Senate, with
amendments, on May 12
(2), 1999, by a
viva-voce vote.

Secretary of the Senate

APPROVED:

Date

Governor

**** Preparation: CT33;

76TH LEGISLATURE

COAUTHOR AUTHORIZATION

(please request your coauthors to sign this form
in lieu of the front or the back of the original bill)

For chief clerk use only

Bill or Resolution Number:

HB 64

Sherrri Greenberg
signature of primary author

Sherrri Greenberg
printed name of primary author

1/25/99
Date

PERMISSION TO SIGN HB 64 HAS BEEN GIVEN TO (check only one of the following):
(bill or resolution #)



ALL REPRESENTATIVES

☐ THE FOLLOWING REPRESENTATIVE(S): _____

I authorize the Chief Clerk to include my name as a coauthor of the legislation indicated above:

<u>A2120 Alexander</u>	<u> </u> Date	<u>A2600 Counts</u>	<u> </u> Date	<u>A2795 Farabee</u>	<u> </u> Date
<u>A2115 Allen</u>	<u> </u> Date	<u>A2605 Crabb</u>	<u> </u> Date	<u>A2810 Farrar</u>	<u> </u> Date
<u>A2105 Alvarado</u>	<u> </u> Date	<u>A2610 Craddick</u>	<u> </u> Date	<u>A2840 Flores</u>	<u> </u> Date
<u>A2135 Averitt</u>	<u> </u> Date	<u>A2615 Crownover</u>	<u> </u> Date	<u>A2920 Gallego</u>	<u> </u> Date
<u>A2160 Bailey</u>	<u> </u> Date	<u>A2645 Cuellar</u>	<u> </u> Date	<u>A2930 Garcia</u>	<u> </u> Date
<u>A2205 Berman</u>	<u> </u> Date	<u>A2635 Culberson</u>	<u> </u> Date	<u>A2940 George</u>	<u> </u> Date
<u>A2250 Bonnen</u>	<u> </u> Date	<u>A2670 Danburg</u>	<u> </u> Date	<u>A2935 Giddings</u>	<u> </u> Date
<u>A2275 Bosse</u>	<u> </u> Date	<u>A2620 Davis, John</u>	<u> </u> Date	<u>A2880 Glaze</u>	<u> </u> Date
<u>A2260 Brimer</u>	<u> </u> Date	<u>A2625 Davis, Yvonne</u>	<u> </u> Date	<u>A2985 Goodman</u>	<u> </u> Date
<u>A2265 Brown, Betty</u>	<u> </u> Date	<u>A2680 Delisi</u>	<u> </u> Date	<u>A2990 Goolsby</u>	<u> </u> Date
<u>A2270 Brown, Fred</u>	<u> </u> Date	<u>A3385 Denny</u>	<u> </u> Date	<u>A3005 Gray</u>	<u> </u> Date
<u>A2255 Burnam</u>	<u> </u> Date	<u>A2690 Deshotel</u>	<u> </u> Date	<u>A3000 Green</u>	<u> </u> Date
<u>A2300 Capelo</u>	<u> </u> Date	<u>A2705 Driver</u>	<u> </u> Date	<u>A3010 Greenberg</u>	<u> </u> Date
<u>A2400 Carter</u>	<u> </u> Date	<u>A2665 Dukes</u>	<u> </u> Date	<u>A3020 Grusendorf</u>	<u> </u> Date
<u>A2585 Chavez</u>	<u> </u> Date	<u>A2660 Dunnam</u>	<u> </u> Date	<u>A3030 Gutierrez</u>	<u> </u> Date
<u>A2480 Chisum</u>	<u> </u> Date	<u>A2650 Dutton</u>	<u> </u> Date	<u>A3035 Haggerty</u>	<u> </u> Date
<u>A2525 Christian</u>	<u> </u> Date	<u>A2770 Edwards</u>	<u> </u> Date	<u>A2695 Hamric</u>	<u> </u> Date
<u>A2520 Clark</u>	<u> </u> Date	<u>A2760 Ehrhardt</u>	<u> </u> Date	<u>A3160 Hardcastle</u>	<u> </u> Date
<u>A2435 Coleman</u>	<u> </u> Date	<u>A2775 Eiland</u>	<u> </u> Date	<u>A3170 Hartnett</u>	<u> </u> Date
<u>A2565 Cook</u>	<u> </u> Date	<u>A2785 Elkins</u>	<u> </u> Date	<u>A3345 Hawley</u>	<u> </u> Date
<u>A2595 Corte</u>	<u> </u> Date	<u>A2790 Ellis, Dan</u>	<u> </u> Date	<u>A3180 Heflin</u>	<u> </u> Date

For chief clerk use only
Bill or Resolution Number:

HB 64

A3310 Hilbert	Date	A3715 Madden	Date	A4435 Shields	Date
A3250 Hilderbran	Date	A3750 Marchant	Date	A4445 Siebert	Date
A3275 Hill	Date	A2700 Maxey	Date	A4525 Smith	Date
A3270 Hinojosa	Date	A3665 McCall	Date	A4530 Smithee	Date
A3305 Hochberg	Date	<i>McClendon 1/16/99</i> A3650 McClendon	Date	A4550 Solis, Jim	Date
A3290 Hodge	Date	A3845 McReynolds	Date	A4560 Solis, Juan	Date
A3325 Homer	Date	A3840 Merritt	Date	A4505 Solomons	Date
A3320 Hope	Date	A3855 Moreno, Joe	Date	A4515 Staples	Date
A3315 Howard	Date	A3860 Moreno, Paul	Date	A4570 Swinford	Date
A3355 Hunter	Date	A3870 Morrison	Date	A4585 Talton	Date
A3360 Hupp	Date	A3865 Mowery	Date	A4605 Telford	Date
A3375 Isett	Date	A3885 Naishtat	Date	A4630 Thompson	Date
A3415 Janek	Date	A3890 Najera	Date	A4635 Tillery	Date
A3410 Jones, Charles	Date	A3895 Nixon, Joe	Date	A4650 Truitt	Date
A3405 Jones, Delwin	Date	A3900 Noriega	Date	A2730 Turner, Bob	Date
A3400 Jones, Jesse	Date	A3880 Oliveira	Date	A4685 Turner, Sylvester	Date
A3440 Junell	Date	A3886 Olivo	Date	A4690 Uher	Date
A3475 Keel	Date	A4010 Palmer	Date	A4695 Uresti	Date
A3480 Keffer	Date	<i>See the bill 3/31/99</i> A4180 Pickett	Date	A4720 Van de Putte	Date
A3470 King, Phil	Date	A4185 Pitts	Date	A4990 Walker	Date
A3465 King, Tracy	Date	A4200 Puente	Date	A4995 West, George "Buddy"	Date
A3485 Krusee	Date	A4210 Ramsay	Date	A5035 Williams	Date
A3450 Kuempel	Date	A4240 Rangel	Date	A5000 Wilson	Date
A3510 Laney	Date	A4245 Reyna, Arthur	Date	A5020 Wise	Date
A3520 Lengefeld	Date	A4236 Reyna, Elvira	Date	A5015 Wohlgemuth	Date
A3605 Lewis, Glenn	Date	A4250 Ritter	Date	A4980 Wolens	Date
A3600 Lewis, Ron	Date	A4370 Sadler	Date	A5005 Woolley	Date
A3615 Longoria	Date	A4380 Salinas	Date	A5025 Yarbrough	Date
A3620 Luna, Vilma	Date	A4420 Seaman	Date	A5040 Zbranek	Date

for chief clerk use only

Bill or Resolution Number:

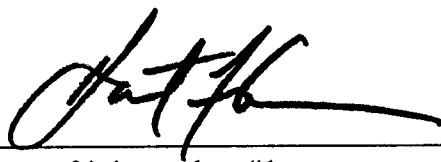
HB 64

JOINT AUTHOR AUTHORIZATION

As primary author of HB 64 I hereby authorize the following joint author(s):
(bill or resolution #)

GARNET F. COLEMAN

printed name of joint author #1

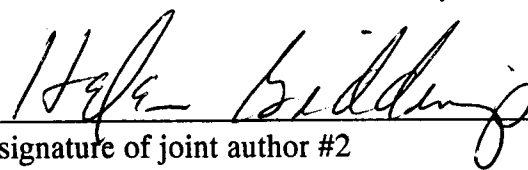


signature of joint author #1

11/17/98

HELEN GIDDINGS

printed name of joint author #2



signature of joint author #2

1-26-99

BILL SIEBERT

printed name of joint author #3

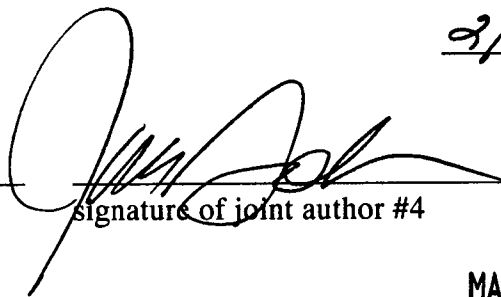


signature of joint author #3

2/8/99

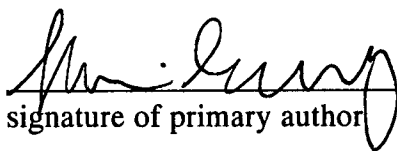
Jim Solis

printed name of joint author #4



signature of joint author #4

MAR 09 1999



signature of primary author

2-8-99

date

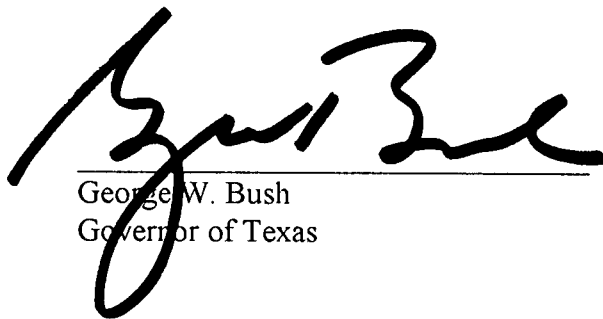
**OFFICIAL MEMORANDUM
STATE OF TEXAS
OFFICE OF THE GOVERNOR**

Pursuant to Article IV, Section 14, of the Texas Constitution, I, George W. Bush, Governor of Texas, do hereby disapprove and veto House Bill No. 64 because of the following objection:

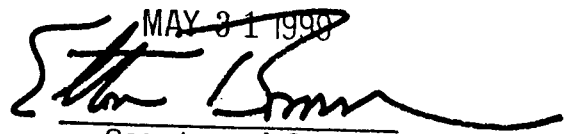
House Bill No. 64 is similar to a bill vetoed last session. The bill proposes using taxpayer dollars to fund private community investment programs that make loans to businesses that cannot qualify for conventional bank loans. This program was not funded by the Legislature.

IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused the Seal of the State to be affixed hereto at Austin, this 31st day of May, 1999.




George W. Bush
Governor of Texas

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
8:00 pm O'CLOCK

MAY 31 1999

Secretary of State

H.B. No.

64

By

Greenberg

A BILL TO BE ENTITLED
AN ACT

Relating to a Texas community investment program to assist certain businesses in distressed areas of the state.

NOV 9 1998

Filed with the Chief Clerk

FEB 01 1999

Read first time and referred to Committee on

Economic Development

MAR 15 1999

Reported favorably (as amended)
(as substituted)

MAR 25 1999

Sent to Committee on (Calendars)
(Local & Consent Calendars)

APR 21 1999

Read second time (comm. subst.) (amended); passed to third reading (failed) by a (non-record vote)
(~~unanimous consent~~) ~~years~~ ~~nays~~, ~~present~~, ~~not voting~~

Constitutional rule requiring bills to be read on three several days suspended (failed to suspend)
by a vote of ~~years~~, ~~nays~~, ~~present~~, ~~not voting~~

APR 22 1999

Read third time (~~amended~~); finally passed (~~failed to pass~~) by a (non-record vote)
(~~unanimous consent~~) ~~years~~, ~~nays~~, ~~present~~, ~~not voting~~

APR 23 1999

Engrossed

APR 23 1999

Sent to Senate

Sharon Carlson

CHIEF CLERK OF THE HOUSE

OTHER HOUSE ACTION:

APR 23 1999

Received from the House

APR 26 1999

Read and referred to Committee on SPECIAL COMMITTEE ON
BORDER AFFAIRS

MAY 07 1999

Reported favorably as amended

Reported adversely, with favorable Committee Substitute; Committee Substitute read first time

Ordered not printed

Laid before the Senate

MAY 12 1999

Senate and Constitutional Rules to permit consideration suspended by (unanimous consent)
(~~years~~, ~~nays~~)

MAY 12 1999

Read second time, amended, and passed to third reading by (unanimous consent)
(a viva voce vote)
(~~years~~, ~~nays~~)

MAY 12 1999

Senate and Constitutional 3 Day Rules suspended by a vote of 29 yeas, 1 nays

MAY 12 1999

Read third time, and passed by (a viva voce vote)
(~~years~~, ~~nays~~)

May 12, 1999

Returned to the House

Kathy King

SECRETARY OF THE SENATE

OTHER SENATE ACTION:

MAY 12 1999

Returned from the Senate ~~(as substituted)~~
(with amendments)

MAY 17 1999

House concurred in Senate amendments by a (non-record vote)
~~(record vote of _____ yeas, _____ nays, _____ present, not voting)~~

House refused to concur in Senate amendments and requested the appointment of a conference committee
by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

House conferees appointed: _____, Chair; _____,
_____, _____, _____

Senate granted House request. Senate conferees appointed: _____, Chair;
_____, _____, _____

Conference committee report adopted (rejected) by the House by a (non-record vote)
(record vote of _____ yeas, _____ nays, _____ present, not voting)

Conference committee report adopted (rejected) by the Senate by a (viva voce vote)
(record vote of _____ yeas, _____ nays)

MAY 12 1999
SENATE

MAY 17 1999
HOUSE